



July 18, 2008

To: Regional School District Business Officials:

I am writing to advise you of several year-end financial issues.

Balance Sheet and Excess & Deficiency (E & D) Certification:

The following are year-end reporting requirements pursuant to Massachusetts General Laws (M.G.L.) Chapter 71, §16B½ and 603 CMR 41.06.

The amount of E & D used as part of the certification of assessments to member communities must first be certified by the Director of Accounts. In order to make this certification, the Bureau requires completion and submission of the following:

- Combined Balance Sheet and Combining Balance Sheet for each fund type and individual fund balances to determine if any funds are in deficit (a pre-closing trial balance or audited financial statements will not be accepted unless requested by the Director of Accounts);
- [FY2008 Year End Checklist](#);
- Detailed analysis of undesignated fund balance;
- [Cash Reconciliation Form](#);
- [Treasurer's Quarterly Cash Report](#) as of June 30, 2008;
- [Statement of Indebtedness](#) as of June 30, 2008;
- Summary of the FY2009 budget (operating and capital);
- Schedule of assessments to each member city and town.

The statutory due date for submission of this information is October 31st of each year.

The Bureau will reduce the E & D calculation for variances reported in Cash, deficits not permitted by a specific provision of law or legal deficits not provided for in the district assessment.

Please be reminded that 603 CMR 41.06 indicates that quarterly regional school district state aid in whole or in part may be withheld if the regional school district has not filed the required balance sheet forms and schedules as of June 30, 2008 to the Bureau of Accounts by October 31, 2008.

Reservations of interest income from investments, certain bond/BAN premiums, rebates and Medicare/Medicaid reimbursements are improper and unless special legislation or the Director of Accounts requires such reservation, they must be closed to the district's General Fund. Also, close all encumbrances to the General Fund not supported by a legal commitment made to a third party.

Please be advised that certification of E & D will be from the Bureau via E-mail.

Other Matters Related to the Certification of E & D:

1. Late Payments

Regional School Districts that received FY2008 state aid payments after June 30, 2008 may request that their receipt be included in the E & D certification if the payments are received by September 30, 2008.

Reimbursements received from July 1, 2008 through September 30, 2008 for expenditures made in FY2008 that resulted in deficit fund balances as of June 30, 2008 may be requested to be considered toward the deficit.

Other state reimbursements (e.g. Progress payments from the Massachusetts School Building Authority) to reimburse expenditures made through June 30, 2008 may be included in the certification provided the district either documents receipts of the funds prior to September 30, 2008 or can document that a request for reimbursement was filed with the appropriate agency by September 30, 2008 and the Bureau can confirm that the payment will be made.

2. Deficit Fund Balances

Year-end deficit fund balances resulting from anticipated other governmental reimbursements or borrowing authorizations are deducted from E & D unless the regional school district borrowed funds (e.g. BANs, GANS, SANs) by June 30, 2008 that equaled or exceeded the amount of the deficit. Capital projects are analyzed on an individual, not aggregate basis.

3. Self-Insured Health Plans

Self-insurance plans per M.G.L. Chapter 32B, §3A cannot be operated in the General Fund. That section requires creation of a Claims Trust Fund, an internal service fund accounted for in accordance with generally accepted accounting principles. Incurred but not reported or "IBNR" claims must be accrued and reported on the balance sheet.

Per M.G.L. Chapter 32B, §3, a self-insured health care trust fund including IBNR must be funded by a sufficient appropriation. For all districts:

- no further amortization per Chapter 61 of the Acts of 2005 is necessary if the June 30, 2008 fund balance is positive;
- any June 30, 2008 fund balance deficit must be provided for in the FY2009 regional school district budget.

For June 30, 2008 E & D certification purposes, E & D will be reduced for a deficit fund balance.

4. State Special Education Reimbursement Fund ("Circuit Breaker")

The Department of Education (DOE) amended its regulations on June 27, 2006 regarding carry forward of reimbursement. As a result, the fund balance as of June 30, 2008 can be no greater than DOE's FY2008 reimbursement, not including extraordinary assistance. Any excess fund balance must close to the General Fund. See DOE's FY2008 reimbursements at <http://finance1.doe.mass.edu/seduction/>.

Any FY2008 deficit in the State Special Education Reimbursement Fund must be charged to the FY2009 school budget and will have no effect on June 30, 2008 E & D. Proof of this charge must be provided to the Bureau of Accounts, otherwise E & D will be reduced.

5. "On Behalf Payments"

As in prior years, please furnish "on behalf payments" from the Massachusetts Teachers' Retirement System (MTRS) to your Certified Public Accounting firm promptly as inclusion of the information in the audited statements is required by GASB statement 24. The Bureau understands that these payments will be available on the MTRS' website at <http://www.mass.gov/mtrs/4about/4gasb.htm> in late July.

6. Reservation of Bond Premium

As a reminder, any bond or bond anticipation note premium that will not be returned to the member communities because of debt exclusion votes taken by the members, must be closed to the district's General Fund on June 30, 2008. Per M.G.L. Chapter 44, §20, the Bureau must then reduce the members' debt exclusions by the amount that represents their proportionate share of the premium kept by the district through maturity of the debt. Otherwise, the premium must be reserved and returned to district members by no later than June 30, 2009. The return of premium may be either by a reduction to the capital assessment or by separate check.

7. Massachusetts School Building Authority (MSBA) Payments

Review [IGR 08-102](#) for instructions on the receipt of payments and how to properly reserve/apply these payments whether or not a debt exclusion has already been voted. Also, review the [FY2009 Estimated Receipts Worksheet](#). If you have any further questions in this matter, contact your Bureau of Accounts field representative.

8. Interfund (“Internal”) Borrowing Prior To Issuance of Debt

M.G.L. Chapter 44, §20A allows for interfund borrowing prior to issuance of debt to make expenditure for purposes for which the authorized debt will be issued. Interfund advances must be repaid during the same fiscal year and there are borrowing restrictions. See [IGR 92-105](#). Debt authorized for a regional school district under legal restriction to obtain approval from the Commissioner of Revenue must first receive local approval and then the Commissioner’s approval before interfund borrowing and expenditure of funds can occur.

Distribution of Local Aid:

Regional school districts are reminded of M.G.L. Chapter 58, §18F which provides for the withholding of local aid payments to districts that do not submit a prior year’s annual financial report to the Department of Education.

Questions or Comments:

If you have any questions, please contact your [Bureau of Accounts’ field representative](#).

Sincerely,

A handwritten signature in cursive script that reads "Gerard D. Perry".

Gerard D. Perry
Director of Accounts